

**Commission Meeting  
Agenda**  
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**Location of Meeting:**

Doubletree Guest Suites  
16500 Southcenter Parkway  
Seattle, WA 98199  
(206) 575-8220

**Date and Time of Meeting:**

Thursday, January 11, 2007  
1:30 p.m.

**Informal Study Group Sessions:**

<b>9:30 a.m. – 10:30 a.m.</b>	Charitable Nonprofit Study Session
<b>10:30 a.m. – Noon</b>	Commercial Operators Study Session

**Please Note Early  
Start Times**

**Public Meeting:**

Please note agenda items after 1:30 p.m. may be taken out of sequence at the discretion of the Chair.

**1. Agenda Review / Director's Report:**

- a) Governor's 2007-09 Proposed Budget
  - b) Legislative Update
  - c) Correspondence:
    - Washington State Auditor's Office – Audit Report
    - Total Service Inc. – Letter of Appreciation
    - Response to Citizens Against Reservation Shopping Letter
    - Governor's Affirmative Action Annual Report for 2005
  - d) Monthly Update Reports:
    - Administrative Case Update
    - Seizure Update
    - Congressional Update
  - e) News Articles
- Comments from the Public**

**Amy Hunter, Administrator**

**Please turn telephones and pagers off during meeting sessions**

2.     **\*New Licenses and Tribal Certifications:**                     **David Trujillo, Assistant Director**
  
3.     **Defaults:**   **Amy Hunter, Administrator**
  - a) FOE #00252, Hoquiam – Revocation
  - b) Christopher Odierno, Card Room Employee – Revocation
  - c) Christopher Bell, Card Room Employee – Revocation
  - d) Justin Hunsaker, Applicant - Denial
  
4.     **Request for Summary Suspension:**
  
5.     **Petition for Review:**                                     **Bruce Marvin, Ast. Atty. General**
  - a) Robert Ramelow, Applicant                                     **3:00 p.m.**
  - b) Joshua Hammons, Class III Employee                         **3:30 p.m.**
  - c) Sokhan Srey, Card Room Employee                             **4:00 p.m.**
  
6.     **Other Business/General Discussion/Comments from the Public**

**Executive Session to Discuss Pending Investigations, Tribal Negotiations & Litigation;  
and Adjournment**

\* Attachment to Agenda Packed

Upon advance request, the Commission will pursue reasonable accommodations to enable persons with disabilities to attend Commission meetings. Questions or comments pertaining to the agenda and requests for special accommodations should be directed to Shirley Corbett, Executive Assistant at (360) 486-3447 or TDD (360) 486-3637. Questions or comments pertaining to rule changes should be directed to Susan Arland, Rules Coordinator and Public Information Officer at (360) 486-3466.

**Commission Meeting Agenda**  
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**Location of Meeting:**

DoubleTree Guest Suites  
16500 Southcenter Parkway  
Seattle, WA 98188  
(206) 575-8220

**Date and Time of Meeting:**

Friday, January 12, 2007  
9:30 a.m.

**7. Approval of Minutes:**

- a) Special Meeting, November 15, 2006
- b) Regular Meeting, November 16-17, 2006

**Rules Up for Final Action**

**8. Petition for Rule Change – Seattle Jaycee Bingo**

**David Trujillo, Asst. Director**

*Filed 08-25-06 as a Pre-Proposal Statement of Inquiry (CR-101) under WSR #06-18-024. Filed 10/27/06 as a Proposed Rule Making (CR-102) under WSR # 06-22-049 with a published date of 11/15/06.*

**a) Amendatory Section WAC 230-20-055**

Use of proceeds from authorized activities by charitable or nonprofit organizations.

**9. License Fee Increase**

**Keith Schuster, Special Agent Supervisor**

*Filed 01-11-06 as a Pre-Proposal Statement of Inquiry (CR-101) under WSR #06-18-027. Filed 10/27/06 as a Proposed Rule Making (CR-102) under WSR # 06-22-047 with a published date of 11/15/06.*

**a) Amendatory Section WAC 230-04-202**

Fees - Bona fide charitable/nonprofit organizations.

**b) Amendatory Section WAC 230-04-203**

Fees - Commercial stimulant and other business organizations.

**c) Amendatory Section WAC 230-04-204**

Fees - Individuals.

**Please turn telephones and pagers off during meeting sessions**

**d) Companion Rules Simplification Project Rule**

**Amendatory Section WAC 230-05-020**

Charitable or nonprofit organization fees.

*This companion rule was previously adopted, but won't become effective until 01-01-08.*

**e) Companion Rules Simplification Project Rule**

**Amendatory Section WAC 230-05-025**

Commercial stimulant fees.

*This companion rule was previously adopted, but won't become effective until 01-01-08.*

**f) Companion Rules Simplification Project Rule**

**Amendatory Section WAC 230-05-030**

Fees for other businesses.

*This companion rule was previously adopted, but won't become effective until 01-01-08.*

**g) Companion Rules Simplification Project Rule**

**Amendatory Section WAC 230-05-035**

Individual license fees.

*This companion rule was previously adopted, but won't become effective until 01-01-08.*

**10. Card Room Tip Procedures**

**Mark Harris Assistant Director**

*Filed 01-11-06 as a Pre-Proposal Statement of Inquiry (CR-101) under WSR #06-03-056. Filed 11/06/06 as a Proposed Rule Making (CR-102) under WSR # 06-23-032 with a published date of 11/15/06.*

**a) Amendatory Section WAC 230-40-855**

Acceptance of tips from patrons for house-banked activities.

**11. Scheduling Reconsideration Hearings**

**Amy Hunter, Administrator**

*Filed 08-25-06 as a Pre-Proposal Statement of Inquiry (CR-101) under WSR #06-18-028. Filed 10/27/06 as a Proposed Rule Making (CR-102) under WSR # 06-22-048 with a published date of 11/15/06.*

**a) Amendatory Section WAC 230-50-562**

Final orders - When and how to file a petition for reconsideration of a final order.

**12. Petition for Rule Change – Washington Charitable and Civic Gaming Association**

**Amy Hunter, Administrator**

*Filed 08-25-06 as a Pre-Proposal Statement of Inquiry (CR-101) under WSR #06-18-025. Filed 11/29/06 as a Proposed Rule Making (CR-102) under WSR # 06-24-029 with a published date of 12-20-07.*

**a) Amendatory Section WAC 230-20-059**

Minimum cash flow requirements for bingo games--Contributions to stated purpose--Sanctions.

### **Rules Up for Discussion**

**13. Petition for Rule Change – Recreational Gaming Association**

*Filed 10-27-06 as a Pre-Proposal Statement of Inquiry (CR-101) under WSR #06-22-050.*

**Beth Heston, Project Manager**

**a) Amendatory Section WAC 230-40-835**

Accounting controls for cashier cage.

**b) Amendatory Section WAC 230-40-865**

Distributing chips and coins to tables — Requests and fills — House-banking.

**c) Amendatory Section WAC 230-40-870**

Removing chips and coins from tables — Requests and credits — House-banking.

**d) Amendatory Section WAC 230-40-885**

Count procedures — House-banking.

**14. Rules Simplification Project**

**Beth Heston, Project Manager**

*Filed 03/17/06 as a Pre-Proposal Statement of Inquiry (CR-101) under WSR #06-07-111. Filed 12/04/06 as a Proposed Rule Making (CR-102) under WSR # 06-24-057 with a published date of 12/20/06.*

**a) New Chapter 230-15 – Card Room Rules.**

*Chapter 230-15 won't become effective until 01-01-08.*

**15. Rules Simplification Project**

**Beth Heston, Project Manager**

*Filed 03/17/06 as a Pre-Proposal Statement of Inquiry (CR-101) under WSR #06-07-111. Filed 12/04/06 as a Proposed Rule Making (CR-102) under WSR # 06-24-061 with a published date of 12/20/06.*

**a) New Section WAC 230-15-319**

Retaining video recordings.

*This rule won't become effective until 01-01-08.*

### **Rules Up for Discussion and Possible Filing**

**16. Petition for Rule Change – Increasing Poker Wagering Limits from \$25 to \$40**

*Filed 12-01-06 as a Pre-Proposal Statement of Inquiry (CR-101) under WSR #06-24-052.*

**a) Amendatory Section WAC 230-40-120**

Wagering limits in card games.

**17. Petition for Rule Change – Manufacturers Selling Product to Distributors**

*Filed 11-22-06 as a Pre-Proposal Statement of Inquiry (CR-101) under WSR #06-23-157*

**a) Amendatory Section WAC 230-12-231**

Agreements restricting freedom to buy and sell – Prohibited.

*This companion rule was previously adopted, but won't become effective until 01-01-08.*

**18. Business/General Discussion/Comments from the Public/Adjournment**

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## Rule Up For Final Action

Proposed Amendment to  
WAC 230-20-055  
Use of proceeds from authorized activities by charitable or nonprofit  
organizations.

ITEM 8(a) on the January 12, 2007, Commission Meeting Agenda.

Statutory Authority 9.46.070

### Who proposed the rule change?

Linda Smith, manager, Seattle Jaycee Bingo

### Proposed Change

The proposed change will assist charitable and nonprofit licensees because the potential benefit would be a deduction of tax on punchboard/pull-tab income. The resulting savings (potentially) could be thousands of dollars per licensee.

#### Attachments:

Petition for Rule Change dated August 21, 2006.

Letter from Seattle Jaycee Bingo dated July 17, 2006.

Memo regarding IRS deductibility of nonprofit punchboard/pull-tab net income dated July 18, 2006.

### History of Rule

The IRS issued a Technical Advice Memorandum (TAM) in 1999 that relied on the wording of WAC 230-20-110 (c). This rule stated in part that net gambling income was to be used 'exclusively for the lawful purposes' of the organization. Based on these specific words, the TAM allowed for 100% deduction of the tax on punchboard/pull-tab income.

WAC 230-20-110 (c) was repealed in 2000 as part of a housekeeping rules package because, at that time, it was felt that the language the IRS relied on was duplicated in WAC 230-20-055. However, the IRS has said the language in 230-20-055 is not specific enough. Currently, the IRS relies on WAC 230-08-255 as saying that the minimum legal requirement in Washington for non-profit organizations to spend for the purposes of the organization is 60% of the net gambling income. As a result, non-profits can now only deduct 60% of the net punchboard/pull-tab gaming income, not 100%.

WAC 230-20-055 was in effect at the same time that WAC 230-20-110 was repealed, but the IRS used the language in WAC 230-20-110 as the controlling language when they issued the TAM.

The Petitioner included three Options for proposed amendments to WAC 230-20-055 with notes indicating which is close to the original language in WAC 230-20-110 and which is close to her discussions with the Internal Revenue Service. Staff recommended Option 2, which most closely resembled the original language that the IRS relied on for the federal tax exemption. The Commission filed Option 2 at the October Commission meeting.

### Impact of the Proposed Change

Elimination of punchboard/pull-tab federal tax for charitable/nonprofit licensees, allowing them to devote more money to their stated purposes.

Regulatory Concerns
None.
Resource Impacts
None.
Policy Consideration
None.
Statements Supporting the Proposed Rule Change
None.
Statements Opposing the Proposed Rule Change
None.
Licensees Directly Impacted By the Change
Charitable and nonprofit punchboard/pull-tab licensees.
Staff Recommendation
Adoption.
Proposed Effective Date for Rule Change
31 days from filing.



**AMENDATORY SECTION:**

**WAC 230-20-055 Use of proceeds from authorized activities by charitable or nonprofit organizations.**

All net income from gambling activities must be used exclusively for the lawful purposes of the organization. All proceeds remaining after paying the necessary expenses of operating an activity authorized by RCW 9.46.0311 shall be used by the organization conducting the activity only for those purposes which are set out in RCW 9.46.0209 and as it may be amended and, if a commission licensee, only for those purposes disclosed to the commission in the application for a license.

# Rules Up For Final Action

Proposed Amendment to:

WAC 230-04-202 Fees-Bona fide charitable/nonprofit organizations.

WAC 230-04-203 Fees-Commercial stimulant and other business organizations.

WAC 230-04-204 Fees-Individuals.

## Companion Rules Simplification Project Rules:

*These companion rules were previously adopted but won't become effective until 1/1/08.*

WAC 230-05-020 Charitable or nonprofit organization fees.

WAC 230-05-025 Commercial stimulant fees.

WAC 230-05-030 Fees for other businesses.

WAC 230-05-035 Individual license fees.



ITEM 9(a)-(g) on the January 12, 2007, Commission Meeting Agenda.	Statutory Authority 9.46.070
Who proposed the rule change?	
Staff.	
Proposed Change	
The proposed change will increase license fees by approximately 3% beginning June 30, 2007. This increase is consistent with the limitations set forth in Initiative 601.	
<b>Attachment:</b>	
Pie Chart showing revenue for license fees vs. expenses.	
History of Rule	
The Commission is a non-appropriated agency. RCW 9.46.070(5) requires the Commission to set fees to generate funds necessary to cover all costs of licensing and enforcement.	
<b>History of Fee Increases:</b>	
Fees for all licensees were increased effective 6-30-98 and effective 12-31-99.	
Fees for only commercial organizations and individuals were increased effective 1-1-02. Fees for charitable/nonprofits were not increased at that time.	
Fees for all licensees were last increased effective 6-30-03.	
Impact of the Proposed Change	
The 07/09 budget approved by the Commission in August 2006 was based on a fee increase.	
If adopted, applicants and licensees will pay approximately 3% more in license fees.	
Regulatory Concerns	
If this rule is passed, the agency will continue to meet its licensing and enforcement statutory mandates at its current level.	
Resource Impacts	
The agency database will need to be updated to reflect the new fees for when renewals and other notices are sent out. Forms will need to be updated and staff trained.	
Policy Consideration	
None.	
Statements Supporting the Proposed Rule Change	
None.	
Statements Opposing the Proposed Rule Change	
None.	
Licensees Directly Impacted By the Change	
All applicants and licensees.	
Staff Recommendation	
Adoption.	

Proposed Effective Date for Rule Change
WAC 230-04-202, WAC 230-04-203, WAC 230-04-204: June 30, 2007
<b>Companion Rules Simplification Project Rules:</b> WAC 230-05-020, WAC 230-05-025, WAC 230-05-030, WAC 230-05-035: January 1, 2008



# Rule Up For Final Action

Proposed Amendment to  
WAC 230-40-855  
Acceptance of tips from patrons for house-banked activities.

ITEM 10(a) on the January 12, 2007, Commission Meeting Agenda. Statutory Authority 9.46.070 and 9.46.0282

## Who proposed the rule change?

Staff.

## Proposed Change

The proposed rule will require more detailed procedures for the accountability of tips received by card room employees. Under the amendments:

1. Tip (“toke”) drop boxes must be locked and remain under camera coverage at all times; and
2. Tips must be redeemed under surveillance; and
3. Card room employees (CRE) must accurately report all tips to their employer. This puts the burden on the CRE to report accurately; and
4. Tips received by the cage cashier must be counted by the shift/floor supervisor or security.

Changes made after the October 2006, Commission meeting:

Amended #1: Staff recommends removing the language “and document” to be consistent with removing that requirement for dealer tips.

## History of Rule

This rule was originally approved with all the house-banked rules May 15, 2000, to ensure the accurate accountability of tips received by licensed card room employees at house-banked card rooms. Since the rule approval, incidents of inaccurate tip reporting have taken place.

To ensure accurate reporting of tips, Commission staff has required more detailed procedures in the licensee’s internal controls.

## Impact of the Proposed Change

The rule change will codify tip accountability requirements and provide consistent enforcement by staff.

The rule change will ensure licensees have a consistent understanding of requirements for tip accountability.

## Regulatory Concerns

Licensed card room employees (typically dealers) receive tips in the form of gaming chips from players. Tips are received in two ways:

1. Indirectly: The player places a wager for the dealer (toke bet) and the winnings from the toke bet are then placed in the toke box. If the player loses the toke bet, the chips are moved to the chip tray and go to the house.
2. Directly: The player gives a tip to a dealer who places it directly in the tip box and the tip is not dependent on the outcome of the game.

To ensure the accountability of all tips, procedures must be in place in the internal controls and followed. These procedures are needed to help ensure income derived from gambling activities is accounted for.

Resource Impacts
Clarifying this rule will reduce the amount of time staff spends explaining tip requirements and addressing consistency concerns by licensees.
Policy Consideration
None.
Statements Supporting the Proposed Rule Change
None.
Statements Opposing the Proposed Rule Change
<b>At the November 2006, Commission meeting, Gary Murray opposed the Commission having any rule regulating card room tips.</b>
Comments on the Proposed Rule Change
At the October 2006, Commission meeting, Max Faulkner thanked staff for working with the Recreational Gaming Association (RGA) on this rule change to make the requirements more clear. He said that some RGA members have issues about extra costs in accounting for tips and whether it is uniform.
Licensees Directly Impacted By the Change
House-banked card rooms and their licensed employees.
Staff Recommendation
Adoption.
Proposed Effective Date for Rule Change
31 days from filing.

## Amended #1

### Amendatory Section:

#### **WAC 230-40-855 Acceptance of tips from patrons for house-banked activities.**

Licensees may allow selected employees to accept tips from patrons. If allowed, tips shall be controlled in a manner to ensure they are only received by authorized persons, ~~((properly))~~ accounted for, and maintained separate from all other gaming funds. The following restrictions and procedures apply:

(1) No employee directly concerned with management, supervision, accounting, security, or surveillance shall solicit, accept or otherwise share any tip originating from any player or patron: Provided, That cage cashiers shall be allowed to accept tips.

(2) Each licensee shall establish procedures necessary to ensure that the acceptance of tips by dealers is observed by the floor supervisor and surveillance. Procedures shall include an overt display of tips received, such as tapping the table with the tip prior to placing it in the tip container.

(3) All tips must be dropped into a locked tip container which prevents the removal of chips except by unlocking. Tip containers must remain under camera coverage of the closed circuit television system at all times.

(4) ~~(3)~~ Tips to the cage cashier shall be deposited directly into the tip container by the patron. Cashier tip containers shall be located outside the cage enclosure. Tips received by a cage cashier must be counted ~~((and documented))~~ by the shift/floor supervisor or security.

(5) ~~(4)~~ Tips received shall be retained by employees or pooled among employees ~~((in such manner as determined by the licensee))~~ as described in the licensee's internal controls.

(6) ~~(5)~~ Licensees shall establish and implement procedures for the ~~((proper))~~ accounting of tips received by authorized card room employees. The procedures shall be fully documented in the licensee's internal controls and shall describe in detail any methods used to allocate tips. ~~((Accounting and recording of tip income shall be in sufficient detail to meet federal income tax requirements.))~~

(7) All tips received by licensed card room employees must be redeemed under surveillance at the cashier's cage. Card room employees must accurately report all tips to their employer as described in the licensee's internal controls.

(8) All pooled tips must be redeemed under surveillance at the cashier's cage, count room or a gaming table.

***Bold and Italic = changes made after the October 2006, Commission meeting.***



# Rule Up For Final Action

Proposed Amendment to  
WAC 230-50-562

Final orders – When to file a petition for reconsideration of a final order.

ITEM 11(a) on the January 12, 2007, Commission Meeting Agenda.	Statutory Authority 9.46.070; 9.46.140
Who proposed the rule change?	
Staff.	
Proposed Change	
The proposed rule change authorizes the Commission to automatically schedule petitions for reconsideration on Final Orders issued by the Commission. This proposed rule change also clarifies the process for petitioners.	
History of Rule	
RCW 34.05.470 requires the Commission to hear petitions for reconsideration within 20 days; if the Commission does not act on the petition, the petition is considered denied. Because of this requirement, staff has had to schedule petitions for reconsideration at the last minute, or schedule a special meeting, depending on when the petition is received.	
For example, if the regularly scheduled Commission meeting is held on August 10 and a petition is received on August 4, staff must revise the Commission meeting agenda and send the materials to the Commissioners as a separate mailing or the Commissioners must hold a special meeting no later than August 24, in order to respond timely to the petition. The proposed rule amendment allows the Commissioners to have more flexibility in scheduling petitions for reconsideration of a final order, while at the same time, treating petitioners fairly and consistently.	
Regulatory Concerns	
None.	
Resource Impacts	
The proposed change will provide staff adequate time to prepare the Commission meeting agenda and related materials. It also provides the Commissioners adequate time to review the case.	
Additionally, the Commissioners will not need to hold special meetings to hear petitions for reconsideration of final orders.	
Policy Consideration	
None.	
Statements Supporting the Proposed Rule Change	
None.	
Statements Opposing the Proposed Rule Change	
None.	
Licensees Directly Impacted By the Change	
Licensees or applicants who have had their licenses denied or revoked, and who cannot operate, may be opposed to having to wait an additional month to have their petitions scheduled.	
Staff Recommendation	
Adoption.	
Proposed Effective Date for Rule Change	
31 days from filing.	

**Amendatory Section:**

**WAC 230-50-562 Final orders -- When and how to file a petition for reconsideration of a final order.** Any party to an adjudicative proceeding may file a petition for reconsideration of a final order. A petition for reconsideration of a final order under RCW 34.05.470 shall be filed with the commission in accordance with WAC 230-50-210 within ten days of service of a final order. The petition for reconsideration shall be administered in accordance with RCW 34.05.470. If the petition is received at least 15 business days before the next regularly scheduled meeting, the commission will schedule the petition to be heard at the upcoming meeting. If the petition is received less than 15 business days before the next regularly scheduled meeting, the commission will schedule the petition for reconsideration at the meeting immediately following the regularly scheduled commission meeting.





# Rule Up For Final Action

Proposed Amendment to  
WAC 230-20-059

Minimum cash flow requirements for bingo games — Contributions to stated purpose — Sanctions.

ITEM 12(a) on the January 12, 2007, Commission Meeting Agenda.	Statutory Authority 9.46.070
Who proposed the rule change?	
Richard Newgard, representing the Washington Charitable and Civic Gaming Association.	
Proposed Change	
Allow up to a 50% variance on net return requirements for the calendar year 2006. The 25% variance currently in WAC 230-20-059 would remain unchanged.	
<b>Attachments:</b> <ol style="list-style-type: none"> <li>1) Letter and Petition for Rule Change dated October 25, 2006.</li> <li>2) Bingo Adjusted Cash Flow Status Report Projected for Calendar Year 2006.</li> <li>3) Pie charts showing the net receipts comparison for gambling in Washington for the past ten years.</li> <li>4) Trend charts showing how the number of licensees have changed.</li> <li>5) Monthly Active License Summary comparing the number of commercial punchboard/pull-tab and bingo licensees in September 30, 2006 and the prior year.</li> <li>6) Pie charts for Seattle Junior Hockey, Am Vets of Tacoma, and Seattle Jaycee Bingo, comparing before the smoking ban and after the smoking ban.</li> <li>7) Overview of gambling trends for the quarters ending June 30, 2006, and March 31, 2006, and their respective prior years.</li> <li>8) Excerpt from Sally Perkins' Charitable/Nonprofit Gambling Report explaining changes to net income, net return, and adjusted cash flow rules.</li> </ol>	
History of Rule	
<p>This rule requires bingo licensees to ensure their adjusted cash flow does not fall below certain amounts during each calendar year. For example: a bingo licensee that has gross receipts above \$1,500,000 and up to \$2,500,000 must have adjusted cash flow of at least 3% of its gross receipts over \$1,500,000. If a bingo licensee has gross receipts of \$2,000,000, its required minimum adjusted cash flow would be \$60,000, which must be used to support their stated purpose.</p> <p>Cash flow requirements were streamlined in April 2004 to remove the waiver process and made it so the director automatically granted a 25% reduction of the requirements for one year; we began measuring cash flow on a calendar year rather than four floating quarters. The relief applied to the calendar year beginning 2003.</p> <p>"Adjusted cash flow from the bingo operation" means the combined gross income of the bingo operation less all prizes and expenses, whether paid or accrued. For the purposes of computing expenses, depreciation or amortization, are not considered an expense of the bingo operation.</p>	
Impact of the Proposed Change	
The director would grant up to a 50% variance for calendar year 2006.	
Regulatory Concerns	
None.	

Resource Impacts
Minimal.
Policy Considerations
A 50% reduction would reduce the amount of money that organizations return to their stated purposes.
Without the reduction, some bingo licensees may face revocation of their licenses. Cash flow is calculated on a calendar year. Fourth quarter activity reports will be due January 30, 2007. We will not know how many licensees would face revocation until at least February. If licensees close, this would reduce money available for the organization's stated purpose.
Statements Supporting the Proposed Rule Change
<b>At the November 2006, Commission meeting, Linda Smith, Ronnie Strong, Clyde Bock, and Monty Harmon testified in support of the petition.</b>
Statements Opposing the Proposed Rule Change
None.
Licensees Directly Impacted By the Change
Fifteen bingo licensees whose combined gross receipts from punch board and pull-tab, and bingo operations are in excess of \$1.5 million.
Staff Recommendation
Adoption; however, there are policy considerations associated with the petitioner's request.
Proposed Effective Date for Rule Change
31 days from filing.

## **AMENDATORY SECTION:**

### **WAC 230-20-059 Minimum cash flow requirements for bingo games-- Contributions to stated purpose -- Sanctions.**

Bingo shall be conducted only as a social pastime or for fund-raising to support the stated purpose(s) of a charitable or nonprofit organization. Organizations licensed to conduct bingo games shall comply with the following procedures and limitations:

#### **Contributions**

(1) To ensure that organizations licensed to conduct bingo games meet the intent of RCW 9.46.010 and provide funds adequate to promote charitable and nonprofit programs, such organizations shall not allow their bingo operation to award prizes or pay expenses to conduct bingo games that are excessive and all capital expenditures for the bingo operation that exceed six thousand dollars shall be specifically approved by the governing board.

An organization licensed to conduct bingo games shall ensure that the adjusted cash flow from the bingo operation available for its charitable and nonprofit programs is at least the following amount during each calendar year:

- (a) For gross receipts above \$1,500,000 up to \$2,500,000 - 3% of gross receipts over \$1,500,000;
- (b) For gross receipts above \$2,500,000 up to \$3,500,000 - \$30,000 plus 4% of gross receipts over \$2,500,000;
- (c) For gross receipts above \$3,500,000 up to \$4,500,000 - \$70,000 plus 5% of gross receipts over \$3,500,000; and
- (d) For gross receipts above \$4,500,000 - \$120,000 plus 6% of gross receipts over \$4,500,000.
- (e) If the licensee does not operate for a full year, the requirements shall be prorated based on full quarters operated.

#### **Definitions**

(2) The following definitions shall apply to this section:

- (a) "Gross receipts" shall mean the combined gross gambling receipts from bingo, pull-tab and punch board activities.
- (b) "Adjusted cash flow from the bingo operation" shall mean the combined gross income of the bingo operation less all prizes and expenses, whether paid or accrued. For the purposes of computing expenses, depreciation or amortization, shall not be considered an expense of the bingo operation.
- (c) "Bingo operation" shall mean bingo games and all associated activities conducted in conjunction with bingo games at the same location including punch boards, pull-tabs, snack bar, retail sales activities, rental of the bingo premises and drawings authorized under WAC 230-20-242.

### **Sanctions for failing to maintain a positive adjusted cash flow**

(3) To ensure a licensee maintains a positive cash flow and is not operating primarily for gambling purposes, adjusted cash flow shall be measured quarterly. If a licensee does not maintain a positive cash flow from the bingo operation during any two consecutive calendar quarters, measured independently, the director shall summarily suspend the organization's bingo license.

### **Sanctions for failing to meet adjusted cash flow requirements - relief**

(4)(a) If a bingo licensee fails to meet the adjusted cash flow requirements of subsection (1) of this section for any calendar year, administrative action shall be taken to revoke the organization's bingo license: Provided, That if a licensee fails to meet the minimum adjusted cash flow requirements for any calendar year and has maintained a positive cash flow as required by subsection (3) of this section. The director shall automatically grant relief allowing a twenty-five percent reduction to the annual dollar amount of required adjusted cash flow in subsection (1) of this section, for the year in which the licensee is out of compliance;

(b) No organization granted relief under (a) of this subsection, shall be eligible to receive relief for any of the four calendar years following the calendar year for which the relief was granted; and

(c) For the calendar year 2006, the director shall automatically grant relief allowing up to a fifty percent reduction to the annual dollar amount of required adjusted cash flow in subsection (1) of this section.

~~((Relief may be granted under (a) of this subsection for the calendar year beginning January 1, 2003.))~~

# Rules Up For Discussion



## Proposed Amendments to:

**WAC 230-40-835** Accounting control's cashier's cage.

**WAC 230-40-865** Distribution of chips and coin to tables – Requests and fills - House-banking.

**WAC 230-40-870** Removing chips and coins from tables – Requests and credits – House-banking.

**WAC 230-40-885** Count procedures – House-banking.

ITEM 13(a)-(d) on the January 12, 2007, Commission Meeting Agenda. Statutory Authority 9.46.070

### Who proposed the rule change?

Dolores A. Chiechi, on behalf of the Recreational Gaming Association, Olympia, WA

### Proposed Change

The petitioner is seeking exceptions from performing required daily accounting functions on weekends and holidays. The proposed rule changes would no longer require house-banked operators to have accounting staff perform some daily accounting functions on weekends and/or holidays. Instead, they would perform these functions on the day following the weekend or holiday.

The petitioner is proposing to add wording to each of the mentioned rules as follows: "Provided, if the accounting department does not work on weekends or federal or state holidays, they must complete these duties on the next day that they work."

### Change made after the November 2006, Commission meeting:

**WAC 230-40-835 (tan paper): Language was amended to clarify that the daily gaming activity must continue to be reconciled on the weekends (Amended #1).**

### History of Rule

WAC 230-40-835 requires the *daily* cage documentation to be forwarded on a daily basis to the accounting department for agreement with other forms and records.

WAC 230-40-865 and WAC 230-40-870 require accounting *to remove each day* the triplicate copies of fill and credit slips from the locked dispenser (Whiz Machine) maintained in the cashier's cage. Further the accounting department must compare for agreement all copies of "void" fill/credit slips, *on a daily basis*.

WAC 230-40-885 requires *each day* following the count accounting will, on a test basis, compares for agreement forms and records generated from the count process and the *prior days* gambling activity.

These same changes were recommended by staff as part of the Rules Simplification Project (RSP) and were filed at the October Commission meeting. The RSP card room rules that address this process are WAC 230-15-520 and WAC 230-15-625. This petition's wording is identical to the wording in the RSP version of WAC 230-15-625.

### Impact of the Proposed Change

The change would allow the operator to maintain the completed triplicate copy of fill/credit slips in the locked dispenser over the weekend and on holidays.

The petitioner believes card room operators incur an unnecessary labor expense by requiring the accounting department to be staffed seven days a week to meet the current requirement for daily removal of completed forms in the fill/credit dispenser.

Regulatory Concerns
None. Staff does not anticipate any regulatory concerns.
These changes will not change the requirement to have all cage documents (with the exception of the third copy of the fill/credit slip) and all count documents be transported and secured in accounting on a daily basis.
Resource Impacts
None.
Policy Consideration
None.
Statements Supporting the Proposed Rule Change
<b>See attached letters from Hawk's Prairie Casino and Buzz Inn Casino (Blue paper).</b>
Statements Opposing the Proposed Rule Change
None.
Licensees Directly Impacted By the Change
House-banked card room licensees.
Staff Recommendation
Further discussion.
Proposed Effective Date for Rule Change
The petitioner requests the change take effect 31 days from filing.

Change made after the November 2006, Commission Meeting  
Amended #1

**Amendatory Section:**

**WAC 230-40-835 Accounting controls for cashier's cage.**

Licensees required to maintain a cashier's cage shall adhere to the following controls to ensure proper accountability for funds. The following restrictions and procedures apply to cashiers and the cage:

- (1) Cashiers shall be responsible for at least the following functions:
  - (a) Receive cash, checks, and gaming chips from patrons for check consolidations, total or partial redemptions or substitutions;
  - (b) Receive gaming chips from patrons in exchange for cash;
  - (c) Receive traveler's checks and other cash equivalents (including money orders, certified checks, and cashier's checks) from patrons in exchange for currency or coin;
  - (d) Receive documentation with signatures thereon, required to be prepared for the effective segregation of functions in the cashier's cage;
  - (e) Receive from security department personnel, chips and coins removed from gaming tables in exchange for the issuance of a credit;
  - (f) Receive from security department members, requests for fills in exchange for the issuance of a fill slip and the disbursal of gaming chips;
  - (g) Receive cash or chips from the count room;
  - (h) At the end of each shift, the cashiers assigned to the outgoing shift shall count each cage inventory item and record on a cashier's count sheet the face value of each inventory item and the total of the opening and closing inventories. The total closing inventory shall be reconciled with the total opening inventory;
  - (i) Prepare the overall cage reconciliation and accounting records; and
  - (j) Perform such other functions as necessary to ensure proper accountability of funds and chips consistent with these standards.
- (2) Signatures attesting to accuracy shall, at a minimum, be contained on the following:
  - (a) Cashier's count sheet; and
  - (b) Cage inventory countsheet, which includes the signatures of the cashiers assigned to the incoming and outgoing shifts.
- (3) At the conclusion of the daily gaming activity, copies of the cashier's count sheet, cage inventory count sheet and related documentation shall be forwarded to the accounting department for agreement of opening and closing inventories, and agreement of amounts thereon to other forms, records and documentation for recording of transactions: Provided, That if the accounting department does not work on weekends or federal or state holidays, the triplicate copy of the fill/credit slip must be removed and ~~the daily gaming activity reconciled~~ sent to accounting on the next day that the accounting department works.

**Bold = Changes made after the November 2006, Commission meeting.**





## **Amendatory Section:**

### **WAC 230-40-865 Distributing chips and coins to tables — Requests and fills — House-banking.**

Gaming chips and coins shall only be distributed to gaming tables with adequate security and in a manner that ensures proper control and accountability. The following restrictions and procedures apply:

#### **Fill slip.**

(1) Each "fill slip" shall be serially prenumbered three-part forms, which provide an original and duplicate copies as necessary: Provided, That the director may authorize use of a computer based accounting system which includes a nonrepeating sequential numbering system that is consistent with the controls and safeguards of the manual system. Requests for fills shall be a two-part form which provides an original and duplicate copy. These forms shall be controlled in the following manner:

(a) Each series of fill slips received by a licensee shall be controlled and accounted for separately;

(b) Request for fills shall be secured in such a manner that only a gaming operations supervisor has access;

(c) Fill slips shall be secured by the cashier's cage;

(d) These forms shall be used in sequential order and all forms accounted for; and

(e) The preparer shall void forms that have errors by marking "VOID" on both the original and duplicate copies and sign the form.

#### **Request for fill.**

(2) A "request for fill" shall be prepared by the gaming operation supervisor to authorize the cage to prepare a "fill slip" for the distribution of chips and coins to gaming tables. The original and duplicate of the request for fill shall include the following entries:

(a) The date, time, and shift of preparation;

(b) The denomination of gaming chips or coins to be distributed to the gaming tables;

(c) The total amount of each denomination of gaming chips or coins to be distributed to the gaming tables;

(d) The game and table number to which the gaming chips or coins are to be distributed;

(e) The signature of the gaming operation supervisor; and

(f) The signature of the security department employee that distributed the chips and coins.

#### **Transporting requests.**

(3) After preparation of the request for fill, the original of such request shall be transported directly to the cashier's cage by security.

#### **Duplicate copies of the request.**

(4) The duplicate copy of the request for fill shall be placed by the dealer or floor supervisor in public view on the gaming table to which the gaming chips or coins are to be received. Such duplicate copy shall not be removed until the chips and coins are received, at which time the request for fill and fill slip are deposited in the drop box.

### **Fill slip procedures.**

(5) A fill slip shall be prepared by a cashier whenever gaming chips or coins are distributed to the gaming tables from the cashier's cage. The following procedures and requirements shall be observed with regard to fill slips:

(a) Each series of fill slips shall be in triplicate form to be kept in a locked dispenser that will permit an individual fill slip in the series and its copies to be written upon simultaneously while still located in the dispenser, and that will discharge the original and duplicate while the triplicate remains in a continuous, unbroken form in the dispenser: Provided, That if a computer system is used, which includes a nonrepeating sequential numbering system, the controls and safeguards of the manual system must be present; and

(b) Access to the triplicate copy of the form shall be maintained and controlled at all times by an accounting department employee responsible for controlling and accounting for the unused supply of fill slips, placing fill slips in the dispensers, and removing from the dispensers, each day, the triplicate copies remaining therein: Provided, That access will be permitted to an employee of the security department for the sole purpose of clearing any paper jams in the dispenser and if the accounting department does not work on weekends or federal or state holidays, they must complete these duties on the next day that they work.

### **Information to be recorded on fill slip.**

(6) On the original, duplicate, and triplicate copies of the fill slip, the preparer shall record, at a minimum, the following information:

- (a) The denomination of the gaming chips or coins being distributed;
- (b) The total amount of each denomination of gaming chips or coins being distributed;
- (c) The total amount of all denominations of gaming chips or coins being distributed;
- (d) The game and table number to which the gaming chips or coins are being distributed;
- (e) The date and shift during which the distribution of gaming chips or coins occurs; and
- (f) The signature of the preparer.

(7) Upon preparation, the time of preparation of the fill slip shall be recorded, at a minimum, on the original and the duplicate.

### **Employee verification.**

(8) All gaming chips or coins distributed to the gaming tables from the cashier's cage shall be transported directly by a security department employee. This employee shall verify the request for fill to the amount of the fill slip and sign the original of the request for fill, which is maintained at the cashier's cage, before transporting the gaming chips or coins and the original and duplicate of the fill slip for signature.

### **Signatures required on fill slips.**

(9) Signatures attesting to the accuracy of the information contained on the original and duplicate of the fill slips shall, at a minimum, be those of the following personnel at the following times:

- (a) The cashier upon preparation;
- (b) The security department employee transporting the gaming chips or coins to the gaming table upon receipt from the cashier of gaming chips or coins;
- (c) The dealer assigned to the gaming table upon receipt; and
- (d) The gaming operation supervisor assigned to the gaming table upon receipt of the gaming

chips or coins at such table.

### **Transporting chips and coins.**

(10) Upon meeting the signature requirements, the security department employee that transported the gaming chips or coins and the original and duplicate copies of the fill slip to the table, shall observe the following:

(a) The dealer shall immediately place the duplicate fill slip and duplicate request for fill in the drop box attached to the gaming table to which the gaming chips or coins were transported; and

(b) The security department employee shall then return the original fill slip to the cashier's cage where the original fill slip and request for fill shall be maintained together and controlled by cage employees.

### **VOID procedures.**

(11) The original and duplicate "VOID" fill slips, the original request for fill, and the original fill slip shall be forwarded as follows:

(a) The count team, as described in WAC 230-40-885(2), for agreement with the duplicate copy of the fill slip and duplicate copy of the request for fill removed from the drop box after which the original and duplicate copy of the request for fill and the original and duplicate copy of the fill slip shall be forwarded to the accounting department for agreement, on a daily basis, with the triplicate; or

(b) The accounting department for agreement, on a daily basis, with the duplicate fill slip and duplicate copy of the request for fill removed from the drop box and the triplicate. Provided, if the accounting department does not work on weekends or federal or state holidays, they must complete these duties on the next day that they work.

### **Transferring chips.**

(12) Transfers of gaming chips from one gaming table to another gaming table is prohibited. All transfers of gaming chips shall be to the cashier's cage.

## **Amendatory Section:**

### **WAC 230-40-870 Removing chips and coins from tables — Requests and credits — House-banking.**

All transfers of gaming chips and coins shall be closely controlled and documented in a manner that ensures accountability. Gaming chips and coins shall only be removed from gaming tables with adequate security. The following restrictions and procedures apply:

#### **Credit slip.**

(1) Each "credit slip" shall be serially prenumbered three-part forms, which provide an original and duplicate copies as necessary: Provided, That the director may authorize use of a computer based accounting system which includes a nonrepeating sequential numbering system that is consistent with the controls and safeguards of the manual system. Requests for credits shall be a two-part form which provides an original and duplicate copy. These forms shall be controlled in the following manner:

(a) Each series of credit slips received by a licensee shall be controlled and accounted for separately;

(b) Request for credits shall be secured in such a manner that only a gaming operations supervisor has access;

(c) Credit slips shall be secured by the cashier's cage;

(d) These forms shall be used in sequential order and all forms accounted for; and

(e) The preparer shall void forms that have errors by marking "VOID" on both the original and duplicate copies and sign the form.

#### **Request for credit.**

(2) A "request for credit" shall be prepared by the gaming operation supervisor to authorize the cage to prepare a credit slip for the removal of gaming chips and coins to the cashier's cage. The original and duplicate of the request for credit shall include the following entries:

(a) The date, time and shift of preparation;

(b) The denomination of gaming chips or coins to be removed from the gaming table;

(c) The total amount of each denomination of gaming chips or coins to be removed from the gaming table;

(d) The game and table number from which the gaming chips or coins are to be removed; and

(e) The signature of the gaming operation supervisor and dealer assigned to the gaming table from which gaming chips or coins are to be removed.

#### **Employee verification.**

(3) Immediately upon preparation of a request for credit and transfer of gaming chips or coins to a security department employee, a gaming operation supervisor shall obtain on the duplicate copy of the request for credit the signature of the security department member to whom the gaming chips and coins were transferred. The dealer shall place the duplicate copy in public view on the gaming table from which the gaming chips or coins were removed. Such request for credit shall not be removed until a credit slip is received from the cashier's cage at which time the request for credit and credit slip are deposited in the drop box.

### **Transporting requests.**

(4) The original of the request for credit and the gaming chips or coins removed from the gaming table shall be transported directly to the cashier's cage by the security department employee.

### **Credit slip procedures.**

(5) A credit slip shall be prepared by the cashier whenever gaming chips or coins are removed from the gaming tables to the cashier's cage. The following procedures and requirements shall be observed with regard to credit slips:

(a) Each series of credit slips shall be a three-part form and shall be inserted in a locked dispenser that will permit an individual slip in the series and its copies to be written upon simultaneously while still locked in the dispenser, and that will discharge the original and duplicate while the triplicate remains in a continuous, unbroken form in the dispenser: Provided, That if a computer system is used, which includes a nonrepeating sequential numbering system, the controls and safeguards of the manual system must be present; and

(b) Access to the triplicate copy shall be maintained and controlled at all times by an accounting department employee responsible for controlling and accounting for the unused supply of credit slips, placing credit slips in the dispensers, and removing from the dispensers, each day, the triplicates remaining therein: Provided, That access will be permitted to an employee of the security department for the sole purpose of clearing any paper jams in the dispenser and if the accounting department does not work on weekends or federal or state holidays, they must complete these duties on the next day that they work.

### **Information to be recorded on credit slip.**

(6) On the original, duplicate and triplicate copies of a credit slip, the preparer shall record, at a minimum, the following information:

(a) The denomination of the gaming chips or coins removed from the gaming table to the cashier's cage;

(b) The total amount of each denomination of gaming chips or coins removed from the gaming table to the cashier's cage;

(c) The total amount of all denominations of gaming chips or coins removed from the gaming table to the cashier's cage;

(d) The game and table number from which the gaming chips or coins were removed;

(e) The date and shift during which the removal of gaming chips or coins occurs; and

(f) The signature of the preparer.

(7) Upon preparation, the time of preparation of the credit slip shall be recorded, at a minimum, on the original and duplicate copy.

### **Signatures required on credit slips.**

(8) Signatures attesting to the accuracy of the information contained on the original and the duplicate copy of a credit slip shall be, at a minimum, the following personnel at the following times:

(a) The cage cashier upon preparation;

(b) The security department employee transporting the gaming chips or coins to the cashier's cage upon presentation to the cashier;

(c) The dealer assigned to the gaming table upon receipt at such table from the security department employee; and

(d) The gaming operation supervisor assigned to the gaming table upon receipt at such table.

### **Transporting chips and coins.**

(9) Upon meeting the signature requirements, the security department employee transporting the original and duplicate copies of the credit slip to the gaming table, shall observe the following:

(a) The dealer shall immediately place the duplicate copies of the credit slip and request for credit in the drop box attached to the gaming table from which the gaming chips or coins are removed; and

(b) The security department employee shall expeditiously return the original credit slip to the cashier's cage where the original of the credit slip and request for credit shall be maintained together and controlled by cage employees.

### **VOID procedures.**

(10) The original and duplicate copies of "VOID" credit slips, and the original request for credit and credit slip shall be forwarded to:

(a) The count team, as described in WAC 230-40-885(2), for agreement with the duplicate credit slip and the duplicate request for credit removed from the drop box, after which the request for credit and the original and duplicate credit slip shall be forwarded to the accounting department for agreement, on a daily basis, with the triplicate; or

(b) The accounting department for agreement, on a daily basis, with the duplicate copies of the credit slip and request for credit removed from the drop box and the triplicate, Provided, if the accounting department does not work on weekends or federal or state holidays, they must complete these duties on the next day that they work.

## **Amendatory Section:**

### **WAC 230-40-885 Count procedures — House-banking.**

Card rooms that offer house-banked card games shall ensure the contents of drop boxes are counted and recorded in a manner that ensures the proper accountability of all gaming chips, coins, and currency. The following restrictions and procedures apply:

#### **Notification of count.**

(1) The security department shall notify the surveillance department whenever the contents of drop boxes removed from gaming tables are to be counted and recorded, which, at a minimum, shall be once each gaming day.

#### **Count team members.**

(2) The opening, counting and recording of the contents of drop boxes shall be performed in the presence of and by those employees assigned by the gaming operation department for the conduct of the count. The count team must consist of three employees who shall not be in a position to perpetrate or conceal errors or irregularities in the normal course of his or her duties. Anyone both recording transactions and having access to the relevant assets is in a position to perpetrate errors or irregularities.

#### **Securing the count room.**

(3) Immediately prior to the opening of the drop boxes, the doors to the count room shall be securely locked and except as otherwise authorized, no person shall be permitted to enter or leave the count room, except during a normal work break or in an emergency, until the entire counting, recording, and verification process is completed.

#### **Video and audio recording of the count.**

(4) Immediately prior to the commencement of the count, one count team member shall notify the person assigned to the closed circuit television surveillance room in the establishment that the count is about to begin, after which such person shall make a video and audio recording of the entire counting process.

#### **Count procedures.**

(5) Contents of drop boxes shall not be mixed prior to counting and recording of each drop box. Procedures and requirements for conducting the count shall be the following:

(a) As each drop box is placed on the count table, one count team member shall announce, in a tone of voice to be heard by all persons present and to be recorded by the audio recording device, the game, table number, and shift marked thereon;

(b) The contents of each drop box shall be emptied and counted separately on the count table;

(c) Immediately after the contents of a drop box are emptied onto the count table, the inside of the drop box shall be held up to the full view of a closed circuit television camera, and shall be shown to at least one other count team member to confirm that all contents of the drop box have been removed, after which the drop box shall be locked and placed in the storage area for drop boxes;

(d) The contents of each drop box shall be segregated by a count team member into separate stacks on the count table by denominations of coin and currency and by type of form, record or document;

(e) Each denomination of coin and currency shall be counted separately, either manually or mechanically, by at least two count team members who shall place individual bills and coins of the same denomination on the count table in full view of the closed circuit television cameras, and such count shall be observed and the accuracy confirmed orally or in writing, by at least one other count team member;

(f) As the contents of each drop box is counted, one count team member shall record or verify on a master game report, by game, table number, and shift, the following information:

(i) The total amount of currency and coin counted, also known as the "drop";

(ii) The amount of the opener;

(iii) The amount of the closer;

(iv) The serial number and amount of each fill slip;

(v) The total amount of the fill;

(vi) The serial number and amount of each credit slip;

(vii) The total amount of all credit slips; and

(viii) The game win or loss.

(g) After the contents of each drop box have been counted and recorded, one member of the count team shall record by game and shift, on the master game report, the total amounts of currency and coin, table inventory slips, fill slips and credit slips counted, and win or loss, together with such additional information as may be required on the master game report by the licensee;

(h) Notwithstanding the requirements of (f) and (g) of this subsection, if the licensee's system of accounting and internal controls provides for the recording on the master game report of fill slips, credit slips, and table inventory slips by cage cashiers prior to the commencement of the count, a count team member shall compare the serial numbers and totals of the amounts recorded thereon to the fill slips, credit slips, and table inventory slips removed from the drop boxes: Provided, That the accounting department may complete the win/loss portions independently from the count team, if properly documented in the approved internal controls; and

(i) After completion and verification of the master game report, each count team member shall sign the report attesting to the accuracy of the information recorded thereon.

### **Concluding the count.**

(6) Procedures and requirements at the conclusion of the count for each gaming



shift shall be the following:

(a) All cash removed from each drop box after the initial count shall be presented in the count room by a count team member to a cashier who, prior to having access to the information recorded on the master game report and in the presence of the count team, shall recount, either manually or mechanically, the cash received;

(b) The top copy of the master game report, after signing, and the request for fills, the fill slips, the request for credits, the credit slips, and the table inventory slips removed from drop boxes, shall be transported directly to the accounting department and shall not be available to any cashier's cage personnel; and

(c) If the licensee's system of accounting and internal controls does not provide for the forwarding from the cashier's cage of the duplicate of the fill slips, credit slips, request for credits, request for fills, such documents recorded or to be recorded on the master game report shall be transported from the count room directly to the accounting department.

### **Accounting.**

(7) The originals and copies of the master game report, request for fills, fill slips, request for credits, credit slips and table inventory slips shall on a daily basis, in the accounting department be:

(a) Compared for agreement with each other, on a test basis, by persons with no recording responsibilities and, if applicable, to triplicates or stored data;

(b) Reviewed for the appropriate number and propriety of signatures on a test basis;

(c) Accounted for by series numbers, if applicable;

(d) Tested for proper calculation, summarization, and recording;

(e) Subsequently recorded; ~~((and))~~

(f) Maintained and controlled by the accounting department; and

(g) Provided, if the accounting department does not work on weekends or federal or state holidays, they must complete these duties on the next day that they work.



## Rule Up For Discussion and Possible Filing

Proposed Amendment to  
WAC 230-40-120  
Limits on wagers in card games.

ITEM 16(a) on the January 12, 2007, Commission Meeting Agenda.	Statutory Authority 9.46.070
Who proposed the rule change?	
Andrew Kimmerle, poker player.	
Proposed Change	
<p>The petitioner requests that poker wagering limits be increased from \$25 to \$40.</p> <p><b>Attachments:</b> Memo to the Commission outlining their options for handling the petition. Letter notifying Mr. Kimmerle that his petition will be up for filing at the January 12, 2007, meeting. Petition for Rule Change dated November 30, 2006. Proposed amendment to WAC 230-40-120. 82 signatures from poker players supporting Mr. Kimmerle's petition. RCW 9.46.010 Minutes from the October 2005, and January 2006, Commission meetings (Blue paper).</p>	
History of Rule	
<p>The wagering limit for poker is \$25. Poker wagering limits were increased from \$10 to \$25 in May 2000.</p> <p>Currently, the total amount a player can wager in a poker game with five rounds is \$500 per hand. Current rules allow a maximum of four wagers/raises per round, and five wagering rounds (<math>25 \times 4 \times 5 = \\$500</math>).</p> <p>The petitioner requests that poker wagering limits be increased from \$25 to \$40. The change would increase the total amount a player could wager in a poker game, with five rounds per hand, from \$500 to \$800. For example, the maximum wager would occur in poker games which have four wagers/raises per round, and five wagering rounds (<math>40 \times 4 \times 5 = \\$800</math>).</p> <p>For Texas Hold'em games, there are four betting rounds. Licensees usually offer games with \$4/\$8 and \$8/\$16 betting structures. Currently, under typical "house rules", the standard highest betting structure would be \$12/\$24.</p> <p>1<sup>st</sup> Round: Dealt cards: \$12 wager, \$12 raise, \$12 raise, \$12 raise = \$48 2<sup>nd</sup> Round: Flop: \$12 wager, \$12 raise, \$12 raise, \$12 raise = \$48 3<sup>rd</sup> Round: Turn: \$24 wager, \$24 raise, \$24 raise, \$24 raise = \$96 4<sup>th</sup> Round: River: \$24 wager, \$24 raise, \$24 raise, \$24 raise = \$96 Texas Hold'em maximum wager: <math>48 + 48 + 96 + 96 = \\$288</math></p> <p>Although the \$12/\$24 scenario is the highest betting structure under typical "house rules", licensees could, in theory, have \$25 wagers/raises in each round for a total of \$500 (<math>25 \times 4 \times 5</math>).</p> <p>The petitioner is a poker player and is requesting a \$40 wager limit. Under his proposal, card rooms could offer a \$15/\$30 or \$20/\$40 betting structure because they would not be exceeding the \$40 betting limit. The increase would affect a Texas Hold'em game as follows:</p> <p>1<sup>st</sup> Round: Dealt cards: \$20 wager, \$20 raise, \$20 raise, \$20 raise = \$80 2<sup>nd</sup> Round: Flop: \$20 wager, \$20 raise, \$20 raise, \$20 raise = \$80 3<sup>rd</sup> Round: Turn: \$40 wager, \$40 raise, \$40 raise, \$40 raise = \$160 4<sup>th</sup> Round: River: \$40 wager, \$40 raise, \$40 raise, \$40 raise = \$160 Texas Hold'em maximum wager: <math>80 + 80 + 160 + 160 = \\$480</math></p>	

The limits at tribal casinos are \$500 per wager. Staff checked with several tribal casinos and were told there isn't a typical betting structure for Texas Hold'em games played at tribal casinos. Wagering limits ranged from \$20/\$40 to the maximum of \$500.

In October 2005, the Commission filed a petition submitted by the Recreational Gaming Association requesting poker wagering limits be increased from \$25 to \$100. The change would have significantly raised the stakes in poker games. For example, a poker player in a game with five wagering rounds, and four wagers/raises per wagering round, could bet as much as \$2,000 (\$100 x 5 x 4). The Commission denied the petitioner's request at the January 2006, Commission meeting (See attached excerpts from the October 2005, and January 2006, Commission meeting minutes – blue paper).

#### Impact of the Proposed Change

An increase in wagering limits is largely a policy matter, as it would not take additional staff time to regulate. Staff would continue to ensure compliance through routine regulatory visits. If licensees exceeded the \$40 wager limit, staff would follow-up and investigate the matter.

#### Regulatory Impact

None.

#### Resource Impacts

Minimal.

#### Policy Consideration

May be perceived as an expansion of gambling.

#### Statements Supporting the Proposed Rule Change

See attached petitions from players.

#### Statements Opposing the Proposed Rule Change

None.

#### Licensees Directly Impacted By the Change

House-banked card room licensees that offer poker games, Class D, E and F card rooms.

#### Staff Recommendation

This is a policy decision and the Commission must decide whether or not the proposal is consistent with the legislative intent expressed in RCW 9.46.010 (attached).

#### Proposed Effective Date for Rule Change

The petitioner requests the change become effective 31 days from filing.

## **Amendatory Section:**

### **WAC 230-40-120 Limits on wagers in card games.**

Social and public card room licensees shall not allow wagering limits set by the commission to be exceeded in any card game. The number and value of wagers in card games are limited as follows:

#### **Nonhouse-banked card games.**

- (1) Poker:
  - (a) There shall be no more than five betting rounds in any one game;
  - (b) The maximum number of wagers in any betting round shall be four, comprised of an initial wager plus three raises; and
  - (c) The maximum amount of a single wager shall not exceed ((~~twenty-five~~)) fifty dollars;
- (2) Games based on achieving a specific number of points - each point shall not exceed five cents in value;
- (3) An ante, except for panguingue (pan), shall not be more than the maximum wager allowed for the first betting round for any game. The ante may, by house rule, be made by one or more players, but the total ante may not exceed the maximum wager allowed for the first betting round. An ante, by house rule, may be used as part of a player's wager;
- (4) Panguingue (pan) - the maximum value of a chip for a payoff shall not exceed ten dollars. An ante will not exceed one chip. Doubling of conditions is prohibited. Players going out may collect not more than two chips from each participating player;

#### **House-banked card games.**

- (5) Licensees authorized to conduct house-banked card games shall not allow a single wager to exceed two hundred dollars;
- (6) A single wager may be made for each decision made by the player before additional cards are dealt or revealed. In addition, for blackjack, an additional wager may be placed for doubling down or splitting pairs; and
- (7) Bonus wagers for house-banked progressive jackpots shall not exceed one dollar. Bonus wagers with a predetermined prize amount based upon a separate element of chance within the same game shall not exceed the authorized maximum table limits as described in subsection (5) of this section.



**PETITION FOR ADOPTION, AMENDMENT, OR REPEAL  
OF A STATE ADMINISTRATIVE RULE (RCW 34.05.330)**

**RECEIVED**

**NOV 13 2006**

The Office of Financial Management (OFM) has adopted this form for members of the public to petition a state agency to adopt, amend, or repeal an administrative rule (regulation). Full consideration will be given to a petitioner's request.

To obtain this form in an alternate format, call OFM at (360) 902-0555 or TTY (360) 664-9437.

Please complete the following:

PETITIONER'S NAME (PLEASE PRINT) <b>JOHN LOWMON</b>		TELEPHONE NUMBER (INCLUDE AREA CODE) <b>(360) 201-0255</b>	
STREET ADDRESS <b>1502 E MAPLEWOOD AVE</b>	PO BOX NUMBER	CITY <b>BELINGHAM</b>	STATE <b>WA</b>
AGENCY RESPONSIBLE FOR ADMINISTERING THE RULE, IF KNOWN <b>WA. ST GAMBLING COMMISSION</b>		ZIP CODE <b>98225</b>	
If unknown, call (360) 753-7470 for mailing information			

Please submit completed and signed form to the "Rules Coordinator" at the appropriate state agency. The agency will contact you within 60 days.

Check all that apply below and explain on the back of this form with examples. Whenever possible, attach suggested language. You may attach other pages, if needed.

☒ **1. NEW:** I am requesting that a new WAC be developed

I believe a new rule should be developed.

- ☒ The subject of this rule is: **MANUFACTURERS TO PROVIDE PRODUCT TO ALL DISTRIBUTORS**
- ☒ The rule will affect the following people: **ALL DISTRIBUTORS AND THEIR SALES FORCE**
- ☒ The need for the rule is: **MANUFACTURERS ARE BEING THREATENED BY WOLV DISTRIBUTING TO STOP SUPPLYING MY COMPANY WITH PRODUCT OR THEY WILL BOYCOTT THEM. THE MANUFACTURES FEEL THEY ARE COMPELLED BY SALES TO COMPLY. A RULE CREATION WILL REMEDY THIS HEAVY HANDEDNESS**
- ☐ **2. AMEND:** I am requesting a change to existing WAC **AND PROTECT ALL SMALL DISTRIBUTORS.**
- ☐ **3. REPEAL:** I am requesting existing WAC \_\_\_\_\_ be removed.

I believe this rule should be changed or repealed because (check one or more):

- ☐ It does not do what it was intended to do.
- ☐ It imposes unreasonable costs.
- ☐ It is applied differently to public and private parties.
- ☐ It is not clear.
- ☐ It is no longer needed.
- ☐ It is not authorized. The agency has no authority to make this rule.
- ☐ It conflicts with another federal, state, or local law or rule. Please list number of the conflicting law or rule, if known
- ☐ It duplicates another federal, state, or local law or rule. Please list number of the duplicate law or rule, if known
- ☐ Other (please explain):

PETITIONER'S SIGNATURE

DATE

*[Handwritten Signature]*

**11/13/2006**



**PETITION FOR ADOPTION, AMENDMENT, OR REPEAL  
OF A STATE ADMINISTRATIVE RULE (RCW 34.05.330)**

There are Manufacturers licensed in Washington State who have stated that they will not provide their products to any newly licensed Punchboard/ Pull-tab Distributors. Their comments apply to a cash purchase as well, namely, Arrow, Trade, Specialty, Bonanza.

The Washington State Gambling Commission offers the opportunity for interested persons to conduct business as an authorized Distributor in Washington State.

WAC, 230-12-230 does not go far enough to provide new and existing Distributors the equal opportunities that are being afforded to the rest of the group.

This practice in its face is devoid of the intent of the WAC 230-12-230 and so a new WAC must be implemented immediately to preserve the integrity of the industry and to provide the clarity lacking in WAC 230-12-230.

Proposed new WAC

Title: Access to Product, Services, and Supplies for the Public Interest.

1. All Manufacturers licensed in Washington State shall make their licensed products available to any licensed Distributor without prejudice.
2. Any cash purchase shall not be refused in the absence of Credit Terms.
3. Any Manufacturer, ~~any~~ Distributor and their representatives who cause interference with this rule will have their license revoked indefinitely.



# Rule Up For Discussion and Possible Filing

Proposed New rule

WAC 230-12-231

Access to product, services, and supplies for the public interest.

ITEM 17(a) on the January 12, 2007, Commission Meeting Agenda.

Statutory Authority 9.46.070

## Who proposed the rule change?

John Lowmon, licensed distributor representative.

## Proposed Change

A Petition for Rule Change was submitted by John Lowman, a licensed distributor representative, requesting that the Commission adopt a new WAC which would require:

1. All manufacturers to make their licensed products available to any licensed distributor without prejudice.
2. All manufacturers to accept any cash purchase in the absence of credit terms.
3. The Commission to indefinitely revoke the license of any manufacturer, distributor and their representatives who interfere with this rule.

The petitioner requests that manufacturers provide their product to “newly” licensed and smaller punchboard/pull-tab distributors, which the petitioner indicates some have refused to do.

## Attachments:

Memo to the Commission outlining their options for handling the petition.

Letter notifying Mr. Lowmon that his petition will be up for filing at the January 12, 2007, meeting.  
Petition for Rule Change dated November 13, 2006.

Proposed new rule WAC 230-12-231.

Case Report concerning a complaint from Mr. Lowmon.

Minutes from the June, August, and September Commission meetings (blue paper).

## History of Rule

Prior to October 2005, the Commission had a rule which required manufacturers and distributors to offer their products and services to all licensees without discrimination. These rules also prevented discriminatory pricing. The intent was to prevent market control. After discussion at three Commission meetings, the Commission voted to repeal this rule. The agency no longer is involved with pricing or determining which licensees manufacturers sell to, as long as the distributors and operators are licensed. See attached meeting minutes from the June, August and September Commission meetings (Blue paper).

A similar petition was submitted in March 2006, by Magic Distributing, Inc., requesting that discriminatory pricing restrictions be reinstated. The discriminatory pricing restrictions required manufacturers and distributors to offer their products and services to all licensees without discrimination. The petitioner stated, in part, that:

- 1) Gambling equipment and related products should be available to all licensees without discrimination; and
- 2) Reinstating the requirements would prevent a monopoly, and unfair and deceptive practices.

At that time, the Commission denied the petition, in part, for the following reasons:

- 1) Regulating business relationships between distributors and manufacturers is generally outside the Commission’s mission;
- 2) There are other legal remedies that the petitioner could pursue other than rely on Commission rules,

such as anti-trust laws; and

- 3) Before repealing the credit rules, the Commissioners carefully considered all arguments, for three months, and had given them due consideration.

In June 2006, Special Agents contacted six distributors and two manufacturers to discuss what impact eliminating discriminatory pricing rules had on the industry.

**Distributors:**

- 1) Four said the rule changes had no impact on their business.
- 2) One said the manufacturers had reduced the discount they offered and it was also necessary to make very large purchases to get the discount (they didn't buy that much). They also were against allowing credit to operators because operators can barely meet their day-to-day expenses as it is.
- 3) One said Bingo King would not sell to him anymore because he's too small.

**Manufacturers:**

- 1) One said there was no impact yet. They felt the impact to manufacturers would be in 4 to 5 years – there would be long term credit/debt problems. Also felt if the rules changes allowing credit at the operator level the operators would over-extend themselves.
- 2) One said things were going okay. They were making money now that they didn't have to out do each other with a sale of the week. They have heard grumblings from one smaller distributor – Magic Distributing (Didn't say what the distributor's concerns were).

**Impact of the Proposed Change**

The petitioner's proposal would require manufacturers to sell product to distributors regardless of the distributor's business practice, credit problems, or bad debt. In the past, credit restriction rules, which have been repealed, would have prevented the sale of more product to those with past due accounts.

**Regulatory Concerns**

Regulating business practices between manufactures and distributors is generally outside the scope of the Commission's mission to keep gambling legal and honest.

If the petitioner's request is adopted, it would add a new regulatory requirement and would require the commission to indefinitely revoke a manufacturer's license if they don't comply.

**Resource Impacts**

Before the repeal of the pricing and credit restrictions in October 2005, staff spent an equivalent of .5 FTE enforcing these regulations. Likewise, staff would likely be required to devote at least .5 FTE, if we enforce this new rule.

**Policy Consideration**

It is a policy decision whether the proposal is consistent with the Commission's statutory mission.

**Statements Supporting the Proposed Rule Change**

None.

**Statements Opposing the Proposed Rule Change**

None.

**Licensees Directly Impacted By the Change**

Manufacturers, distributors and operators.



Staff Recommendation
<p>Deny the petition for the following reasons:</p> <ol style="list-style-type: none"><li>1) Regulating business relationships between distributors and manufacturers is generally outside the Commission's mission;</li><li>2) There are other legal remedies that the petitioner could pursue other than rely on Commission rules, such as anti-trust laws;</li><li>3) Before repealing the credit rules, for three months, the Commissioners carefully considered all arguments and had given them due consideration;</li><li>4) It would require manufacturers to sell product to distributors regardless of the distributor's business practice, credit problems, or bad debt; and</li><li>5) It would require the Commission to indefinitely revoke a manufacturer's license if they don't comply.</li></ol>
Proposed Effective Date for Rule Change
<p>The petitioner requests the new rule become effective 31 days from filing.</p>

**New Section:**

**WAC 230-12-231 Access to product, services, and supplies for the public interest.**

1. All manufacturers licensed in Washington State shall make their licensed products available to any licensed distributor without prejudice.
2. Any cash purchase shall not be refused in the absence of credit terms.
3. Any manufacturer, distributor and their representatives who cause interference with this rule will have their license revoked indefinitely.